



भारतीय प्रतिभूति  
और विनियम बोर्ड

**Securities and Exchange  
Board of India**

GENERAL MANAGER  
MARKET REGULATION DEPARTMENT

MRD/DSA/C&D/50049/05  
September 21, 2005

Shri T. K. Das  
Administrator,  
The Calcutta Stock Exchange Association Limited  
7, Lyons Range  
Kolkata - 700 001

*Sury / Dy Sury*  
*for urgent w/m pl*  
*23.9.05*

Dear Sir,


**Sub: Governing Board of The Calcutta Stock Exchange Association Limited.**

Please refer to clause 4.1 of The Calcutta Stock Exchange Association Limited (Demutualisation) Scheme, 2005, which provides that the Governing Board of The Calcutta Stock Exchange Association Limited shall be constituted in accordance with the provisions of the Articles of Association of The Calcutta Stock Exchange Association Limited in force from time to time provided that the representation of Trading Members does not exceed one-fourth of the total strength of the Governing Board and the remaining directors are appointed in the manner as may be specified by SEBI from time to time.

Accordingly, SEBI hereby specifies the manner of appointment of remaining directors and other incidental and consequential matters related to governance of The Calcutta Stock Exchange Association Limited as per Annexure A.

You are advised to incorporate the same suitably in the Articles of Association and/ or Rules of The Calcutta Stock Exchange Association Limited immediately. You are requested to forward a copy of the amended Articles of Association and/ or Rules for our records.

Yours faithfully,

  
D RAVI KUMAR

Encl: A/a

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## Annexure A

### Governance of The Calcutta Stock Exchange Association Limited.

#### 1.0 Governing Board of The Calcutta Stock Exchange Association Limited.

##### 1.1. Board Composition on and from Due Date till Appointed Date

On and from Due Date, as defined in clause 2.1 of The Calcutta Stock Exchange Association Limited (Demutualisation) Scheme, 2005 or on expiry on the term of supersession under Section 11 of The Securities Contracts (Regulation) Act, 1956, whichever is later, the composition of the Governing Board shall be as under:

- 1.1.1 Trading Member Directors shall constitute a maximum of one-fourth of the total strength of the Governing Board.
- 1.1.2 Public Interest Directors shall constitute the balance of the Governing Board.

##### 1.2. Board Composition on and from Appointed Date

On and from the Appointed Date, as may be notified by SEBI under Section 4A of the Securities Contracts (Regulation) Act, 1956, the composition of the Governing Board shall be as under:

- 1.2.1 Trading Member Directors shall constitute a maximum of one-fourth of the total strength of the Governing Board.
- 1.2.2 Public Interest Directors shall constitute one-fourth of the total strength of the Governing Board.
- 1.2.3 Shareholder Directors shall constitute the balance of the Governing Board. In case the Exchange has strategic partner(s) / majority shareholder(s), at least one third of the Shareholder Directors shall be independent non-executive directors.

For the purpose of this clause, the term

- i) 'Independent Director' shall have same meaning as assigned to it in the Corporate Governance norms specified by SEBI under the Listing Agreement.
- ii) 'strategic partner/ majority shareholder' shall mean a shareholder who along with persons acting in concert with him holds 15% or more shares or voting rights in the Exchange.

##### 1.3 General Requirements

- 1.3.1 The Directors, except the Chief Executive such as CEO, ED or MD etc., shall be elected by the Shareholders.
- 1.3.2 No Director shall hold office for more than two consecutive terms.

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- 1.3.3 'Trading Member Directors' shall be elected from amongst the Trading Members.
- 1.3.4 'Shareholder Directors' shall be elected from amongst the Persons, who are not Trading Members or Associates of Trading Members.
- 'Associate' in relation to a Trading Member, individual, body corporate or firm, shall include a person :
- (i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the Trading Member, whether individual, body corporate or firm or holds substantial share of not less than 15% in the capital of such entities, or
  - (ii) in respect of whom the Trading Member, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control, or
  - (iii) whose director or partner is also a director or partner of the Trading Member, body corporate or the firm, as the case may be. The expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
- 1.3.5 'Public Interest Directors' shall be elected from amongst the Persons in the SEBI constituted panel. A person shall not act as 'Public Interest Director' on more than one Stock Exchange simultaneously.
- 1.3.6 The Chairman shall be elected by the Governing Board from amongst the non-executive non-trading member directors.
- 1.3.7 The manner of election, appointment, tenure, resignation, vacation, etc. of Directors (except the Chief Executive) shall be governed by the Companies Act, 1956 save as otherwise specifically provided under or in accordance with the Securities Contracts (Regulation) Act, 1956.
- 1.3.8 The Chief Executive shall be an ex-officio Director on the Governing Board.
- 1.3.9 No approval of SEBI shall be required for appointment of any Director except for the Chief Executive.
- 1.3.10 SEBI may nominate Directors on the Governing Board as and when deemed fit.

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### 1.4 Board Composition

The provisions in paragraphs 1.1, 1.2, and 1.3 are presented in the following table:

Category	Stakeholders	Designation	Status	Who may represent	Who may elect / appoint	Extent of representation	Election, Vacation, Removal etc.
A	B	C	D	E	F	G	H
1	Trading Members	Trading Member Director	Non-Executive	Trading Members	Shareholders	≤ 1 / 4	As per the Companies Act, 1956, unless specifically provided in the SCRA
2	Investors, Listed Companies, Society, etc.	Public Interest Director	Non-Executive	A person from the SEBI Panel	Shareholders	1 / 4 (rounded off to nearest number)	
3	Shareholders	Shareholder Director	Non-Executive / Executive	Any Person who is not a Trading Member or Associate of a Trading Member	Shareholders	Balance	
4	Exchange Administration	Chief Executive (MD/CEO/ED)	Executive	Professional	Board	One	

Note:

- During the period between 'Due Date' and 'Appointed Date', category 3 shall merge with category 2.
- After the 'Appointed Date', in case the Exchange has strategic partner(s) / majority shareholder(s), at least one third of the Shareholder Directors shall be independent non-executive directors.
- The fractions in column 'G' refer to share in the total strength of the Board excluding the MD / CEO / ED.

### 2 Chief Executive

The appointment, renewal of appointment and the termination of service of the Chief Executive shall be subject to prior approval of SEBI. However, the Exchange shall determine the manner of selection, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the Chief Executive. While recommending the names to SEBI, the Exchange shall submit an undertaking that the necessary due diligence has been carried out by them with respect to the verification of antecedents, credentials and experience of the proposed persons.

The requirement of SEBI approval for the selection committee is dispensed herewith.

### 3. Arbitration Committee, Disciplinary Committee, Defaults Committee and Investor Services Committee

The Rules or Articles of Association, as the case may be, of the Exchange shall provide that not more than twenty percent of the members of the Arbitration Committee, Disciplinary Committee, Defaults Committee and Investor Services



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Committee shall be trading members. However, the Arbitration Committee in case of disputes between a trading member and a non-trading member shall not have representation of the trading members.

The appointment of members on these committees shall not require SEBI approval.

**4. Code of Conduct**

4.1 The Exchange shall frame and apply a set of criteria as near thereto the SEBI (Criteria for Fit and Proper Person) Regulations, 2004 to the Directors on the Governing Board of the Exchange.

4.2 The Directors shall:

(A) Meetings & minutes

- a. not participate in the discussion of any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting.
- b. not encourage the circulation of agenda papers during the meeting, unless circumstances so require.
- c. offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes.
- d. insist on the minutes of the previous meeting being placed for approval in subsequent meeting.
- e. endeavour to have the date of next meeting fixed at each Board Meeting in consultation with other members of the Governing Board.
- f. endeavour that in case where all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within 15 days for considering the remaining items.

(B) Strategic Planning

- a. participate in the formulation and execution of strategies in the best interest of the exchange and contribute towards pro-active decision making at the Board level.
- b. give benefit of his experience and expertise to the exchange and provide assistance in strategic planning and execution of decisions when the Board is in the throes of a raging controversy.

(C) Regulatory Compliances

- a. endeavour to ensure that the Exchange abides by all the provisions of the SEBI Act, Securities Contracts (Regulation) Act, Rules, Regulations framed there under and the circulars, directions issued by the Government/SEBI from time to time.
- b. endeavour compliance at all levels so that the regulatory system does not suffer any breaches.



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- c. endeavour to ensure that the Exchange takes commensurate steps to honour the time limit prescribed by SEBI for corrective action.
- d. not support any decision in the meeting of the Governing Board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.

(D) General Responsibility

- a. place priority for redressing Investor Grievances and encourage fair trade practice so that the Exchange becomes an engine for the growth of the securities market.
- b. endeavour to analyse and administer the exchange issues with professional competence, fairness, impartiality, efficiency and effectiveness.
- c. submit the necessary disclosures/statement of holdings/dealings in securities as required by the Exchange from time to time as per their Rules or Articles of Association.
- d. unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty. Further, no such information shall be used for personal gains.
- e. maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of his duties in order to inspire public confidence and shall not engage in acts discreditable to his responsibilities.
- f. perform his duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity or official duties.
- g. perform his duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion.
- h. not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the exchange.

5. **Cessation of the Order dated April 20, 1993**

On and from Due Date, the Order dated April 20, 1993 issued under section 8 of the SCRA shall cease to apply to The Calcutta Stock Exchange Association Limited.

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By.